

SMITH COUNTY, KANSAS

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended December 31, 2010

SMITH COUNTY, KANSAS
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For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the County Commissioners
Smith County, Kansas
Smith Center, Kansas

We have audited the accompanying primary government financial statements of **Smith County, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **Smith County, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of **Smith County, Kansas**, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **Smith County, Kansas** as of December 31, 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, **Smith County, Kansas**, has issued separate reporting entity financial statements for which we have issued our report dated July 26, 2011.

As described more fully in Note 1, **Smith County, Kansas**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Smith County, Kansas**, as of December 31, 2010, or the changes in financial position for the year then ended. Further, **Smith County, Kansas**, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Smith County, Kansas

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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Smith County, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Adams, Brown, Beran & Ball".

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

July 26, 2011

SMITH COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Period Restatement	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories								
General Fund	\$ 380,816	-	-	1,279,507	1,304,850	355,473	93,115	448,588
Special Revenue Funds								
Road and Bridge Fund	154,963	-	-	1,742,124	1,745,133	151,954	120,920	272,874
Bridge Building Fund	94,900	-	-	200,000	77,229	217,671	13,839	231,510
Special Machinery Fund	545,055	-	-	100,000	454,560	190,495	-	190,495
Noxious Weed Fund	205,421	-	-	202,656	166,512	241,565	23,208	264,773
Health Fund	58,175	42,860	-	394,343	311,716	183,662	30,625	214,287
Appraiser's Cost Fund	24,717	-	-	106,563	101,073	30,207	44,880	75,087
Employee Benefit Fund	44,755	(42,860)	-	1,176,569	1,062,894	115,570	-	115,570
Hospital Maintenance Fund	(5,722)	-	-	143,040	137,318	-	-	-
Ambulance Service Fund	71,432	-	-	393,590	408,722	56,300	50,509	106,809
Mental Health Fund	-	-	-	22,545	22,545	-	-	-
Mental Retardation Fund	-	-	-	27,171	27,171	-	-	-
Special Alcohol Fund	16,060	-	-	9,555	5,000	20,615	-	20,615
911 Telephone Fund	25,082	-	-	19,339	9,152	35,269	-	35,269
E-911 Telephone Fund	22,133	-	-	26,491	28,240	20,384	-	20,384
Register of Deeds Technology Fund	16,845	-	-	5,259	6,132	15,972	-	15,972
EMS Grant Memorial Fund	7,480	-	-	8,255	5,209	10,526	-	10,526
Sales Tax Fund	2,805,123	-	-	433,976	3,127,217	111,882	-	111,882
Guest Tax Fund	14,465	-	-	8,150	7,944	14,671	-	14,671
Debt Service Fund								
Bond and Interest Fund	1,743	-	-	31,123	30,884	1,982	-	1,982
Proprietary Fund Category								
Enterprise Fund								
Solid Waste Fund	222,214	-	-	270,976	323,951	169,239	18,280	187,519
Fiduciary Fund Category								
Private Purpose Trust Funds								
Prosecuting Attorney's Training Fund	1,598	-	-	392	221	1,769	-	1,769
Special Motor Vehicle Fund	12,379	-	-	411,289	423,668	-	16,215	16,215
Total Primary Government (Excluding Agency Funds)	<u>\$ 4,719,634</u>	<u>-</u>	<u>-</u>	<u>7,012,913</u>	<u>9,787,341</u>	<u>1,945,206</u>	<u>411,591</u>	<u>2,356,797</u>
Composition of Cash								
				Checking Accounts			\$	6,119,752
				Certificates of Deposit				1,085,000
				Temporary Notes				102,500
				Cash on Hand				30,876
				Total Cash				<u>7,338,128</u>
				Distributable Funds per Statement 4-1				(4,756,720)
				Agency Funds per Statement 4-2				(224,611)
				Total Primary Government (Excluding Agency Funds)			\$	<u>2,356,797</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 1,396,893	-	1,396,893	1,304,850	(92,043)
Special Revenue Funds					
Road and Bridge Fund	1,823,962	-	1,823,962	1,745,133	(78,829)
Noxious Weed Fund	342,080	-	342,080	166,512	(175,568)
Health Fund	324,293	-	324,293	311,716	(12,577)
Appraiser's Cost Fund	114,383	-	114,383	101,073	(13,310)
Employee Benefit Fund	1,342,663	-	1,342,663	1,062,894	(279,769)
Hospital Maintenance Fund	141,439	-	141,439	137,318	(4,121)
Ambulance Service Fund	416,647	-	416,647	408,722	(7,925)
Mental Health Fund	22,524	-	22,524	22,545	21
Mental Retardation Fund	27,150	-	27,150	27,171	21
Special Alcohol Fund	15,000	-	15,000	5,000	(10,000)
Debt Service Fund					
Bond and Interest Fund	32,924	-	32,924	30,884	(2,040)
Proprietary Fund Category					
Enterprise Fund					
Solid Waste Fund	439,983	-	439,983	323,951	(116,032)

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 1,145,913	1,132,376	1,108,602	23,774
Federal Aid	18,206	4,738	-	4,738
Licenses and Fees	63,541	53,989	34,900	19,089
Use of Money and Property	44,084	35,215	25,000	10,215
Transfers In	17,245	5,253	-	5,253
Reimbursements	4,493	27,520	1,500	26,020
Miscellaneous	26,988	20,416	9,600	10,816
Total Cash Receipts	<u>1,320,470</u>	<u>1,279,507</u>	<u>1,179,602</u>	<u>99,905</u>
Expenditures				
County Commissioners	54,051	56,284	55,026	1,258
County Clerk	65,977	73,822	66,460	7,362
County Treasurer	103,751	113,804	102,391	11,413
County Attorney	83,053	89,907	85,970	3,937
Register of Deeds	43,122	47,347	47,595	(248)
Sheriff	260,756	261,632	283,695	(22,063)
Dispatch	162,335	159,184	169,754	(10,570)
Court System	43,498	47,380	52,750	(5,370)
Courthouse General	312,482	243,297	307,988	(64,691)
Area Agency on Aging	4,000	4,000	4,000	-
Juvenile Detention	1,000	-	3,500	(3,500)
CASA	3,500	3,350	3,350	-
Airport Maintenance	1,590	1,590	-	1,590
Emergency Preparedness	28,194	29,295	36,340	(7,045)
Soil Conservation	15,000	14,473	14,473	-
Free Fair	13,922	13,300	13,300	-
Extension Council	95,000	90,755	90,755	-
Historical Society	5,200	4,970	4,970	-
Election	34,097	39,914	42,650	(2,736)
Neighborhood Revitalization Rebate	9,486	10,546	11,926	(1,380)
Total Expenditures	<u>1,340,014</u>	<u>1,304,850</u>	<u>1,396,893</u>	<u>(92,043)</u>
Cash Receipts Over (Under) Expenditures	(19,544)	(25,343)		
Unencumbered Cash - Beginning	<u>400,360</u>	<u>380,816</u>		
Unencumbered Cash - Ending	<u>\$ 380,816</u>	<u>355,473</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
County Commissioners				
Personal Services	\$ 45,009	46,512	45,276	1,236
Contractual Services	6,541	6,599	5,750	849
Commodities	2,501	3,173	3,500	(327)
Capital Outlay	-	-	500	(500)
Total County Commissioners	<u>54,051</u>	<u>56,284</u>	<u>55,026</u>	<u>1,258</u>
County Clerk				
Personal Services	53,483	60,658	56,160	4,498
Contractual Services	8,540	6,201	5,650	551
Commodities	3,954	3,563	3,150	413
Capital Outlay	-	3,400	1,500	1,900
Total County Clerk	<u>65,977</u>	<u>73,822</u>	<u>66,460</u>	<u>7,362</u>
County Treasurer				
Personal Services	100,925	104,832	101,291	3,541
Contractual Services	1,062	4,250	1,100	3,150
Commodities	282	3,512	-	3,512
Capital Outlay	1,482	1,210	-	1,210
Total County Treasurer	<u>103,751</u>	<u>113,804</u>	<u>102,391</u>	<u>11,413</u>
County Attorney				
Personal Services	70,621	74,445	69,820	4,625
Contractual Services	4,101	6,165	5,950	215
Commodities	8,331	9,297	10,200	(903)
Total County Attorney	<u>83,053</u>	<u>89,907</u>	<u>85,970</u>	<u>3,937</u>
Register of Deeds				
Personal Services	37,481	41,609	42,000	(391)
Contractual Services	5,077	5,285	5,095	190
Commodities	564	453	500	(47)
Total Register of Deeds	<u>43,122</u>	<u>47,347</u>	<u>47,595</u>	<u>(248)</u>
Sheriff				
Personal Services	170,134	178,285	179,470	(1,185)
Contractual Services	24,436	27,977	37,475	(9,498)
Commodities	36,279	34,727	49,250	(14,523)
Capital Outlay	29,907	20,643	17,500	3,143
Total Sheriff	<u>260,756</u>	<u>261,632</u>	<u>283,695</u>	<u>(22,063)</u>
Total Expenditures (carried forward) \$	<u>610,710</u>	<u>642,796</u>	<u>641,137</u>	<u>1,659</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
Total Expenditures (brought forward)	\$ 610,710	642,796	641,137	1,659
Dispatch				
Personal Services	125,452	119,451	129,000	(9,549)
Contractual Services	11,637	14,076	13,050	1,026
Commodities	8,443	8,345	7,400	945
Capital Outlay	16,803	17,312	20,304	(2,992)
Total Dispatch	162,335	159,184	169,754	(10,570)
Court System				
Contractual Services	9,206	9,700	10,650	(950)
Commodities	3,504	7,613	8,500	(887)
Capital Outlay	1,718	10,094	5,600	4,494
Legal Cost	29,070	19,973	28,000	(8,027)
Total Court System	43,498	47,380	52,750	(5,370)
Courthouse General				
Personal Services	22,358	15,632	17,316	(1,684)
Contractual Services	218,291	188,620	215,500	(26,880)
Commodities	25,306	15,574	12,100	3,474
Capital Outlay	43,849	20,272	58,572	(38,300)
Courthouse Repair	2,678	3,199	4,500	(1,301)
Total Courthouse General	312,482	243,297	307,988	(64,691)
Emergency Preparedness				
Personal Services	15,800	16,080	23,620	(7,540)
Contractual Services	12,185	12,128	12,650	(522)
Commodities	209	1,087	70	1,017
Total Emergency Preparedness	28,194	29,295	36,340	(7,045)
Area Agency on Aging	4,000	4,000	4,000	-
Juvenile Detention	1,000	-	3,500	(3,500)
CASA	3,500	3,350	3,350	-
Total Expenditures (carried forward) \$	1,165,719	1,129,302	1,218,819	(89,517)

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Prior Year Actual	Current Year		Variance Over (Under)
			Actual	Budget	
Total Expenditures (brought forward)	\$	1,165,719	1,129,302	1,218,819	(89,517)
Airport Maintenance		1,590	1,590	-	1,590
Soil Conservation		15,000	14,473	14,473	-
Free Fair		13,922	13,300	13,300	-
Extension Council		95,000	90,755	90,755	-
Historical Society		5,200	4,970	4,970	-
Election		34,097	39,914	42,650	(2,736)
Neighborhood Revitalization Rebate		9,486	10,546	11,926	(1,380)
Total Expenditures	\$	<u>1,340,014</u>	<u>1,304,850</u>	<u>1,396,893</u>	<u>(92,043)</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Road and Bridge Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 1,323,280	1,291,489	1,293,591	(2,102)
Federal Aid	-	89,943	-	89,943
State Aid	289,094	317,868	326,729	(8,861)
Collections	29	24	-	24
Reimbursements	33,035	42,800	20,000	22,800
Total Cash Receipts	<u>1,645,438</u>	<u>1,742,124</u>	<u>1,640,320</u>	<u>101,804</u>
Expenditures				
Personal Services	569,846	588,494	634,080	(45,586)
Contractual Services	84,885	97,661	150,570	(52,909)
Commodities	723,806	576,156	795,000	(218,844)
Capital Outlay	173,398	170,166	230,000	(59,834)
Transfers Out	89,000	300,000	-	300,000
Neighborhood Revitalization Rebate	11,785	12,656	14,312	(1,656)
Total Expenditures	<u>1,652,720</u>	<u>1,745,133</u>	<u>1,823,962</u>	<u>(78,829)</u>
Cash Receipts Over (Under) Expenditures	(7,282)	(3,009)		
Unencumbered Cash - Beginning	<u>162,245</u>	<u>154,963</u>		
Unencumbered Cash - Ending	\$ <u>154,963</u>	<u>151,954</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Bridge Building Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ -	200,000
Expenditures		
Contractual Services	30,100	77,229
Cash Receipts Over (Under) Expenditures	(30,100)	122,771
Unencumbered Cash - Beginning	125,000	94,900
Unencumbered Cash - Ending	\$ 94,900	217,671

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Special Machinery Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 89,000	100,000
Expenditures		
Capital Outlay	-	454,560
Cash Receipts Over (Under) Expenditures	89,000	(354,560)
Unencumbered Cash - Beginning	456,055	545,055
Unencumbered Cash - Ending	\$ 545,055	190,495

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Noxious Weed Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 100,968	73,137	73,510	(373)
State Aid	3,454	-	-	-
Chemical Sales	194,197	129,519	140,000	(10,481)
Total Cash Receipts	298,619	202,656	213,510	(10,854)
Expenditures				
Personal Services	63,793	51,048	72,000	(20,952)
Contractual Services	8,377	7,644	10,612	(2,968)
Commodities	223,392	107,141	238,700	(131,559)
Capital Outlay	93	-	20,000	(20,000)
Neighborhood Revitalization Rebate	922	679	768	(89)
Total Expenditures	296,577	166,512	342,080	(175,568)
Cash Receipts Over (Under) Expenditures	2,042	36,144		
Unencumbered Cash - Beginning	203,379	205,421		
Unencumbered Cash - Ending	\$ 205,421	241,565		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Health Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 138,399	139,023	139,335	(312)
Federal Aid	57,315	34,878	37,255	(2,377)
State Aid	5,250	39,105	7,000	32,105
Intergovernmental	24,698	58,017	-	58,017
Collections	116,481	123,320	81,000	42,320
Total Cash Receipts	342,143	394,343	264,590	129,753
Expenditures				
Personal Services	260,204	208,029	241,574	(33,545)
Contractual Services	31,734	42,558	39,170	3,388
Commodities	48,481	56,785	38,500	18,285
Capital Outlay	4,991	2,975	3,500	(525)
Neighborhood Revitalization Rebate	1,231	1,369	1,549	(180)
Total Expenditures	346,641	311,716	324,293	(12,577)
Cash Receipts Over (Under) Expenditures	(4,498)	82,627		
Unencumbered Cash, Beginning As Previously Stated	105,533	58,175		
Prior Period Adjustment	-	42,860		
Unencumbered Cash - Beginning As Restated	105,533	101,035		
Unencumbered Cash - Ending	\$ 101,035	183,662		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Appraiser's Cost Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Cash Receipts				
Taxes	\$ 95,501	106,010	104,679	1,331
Miscellaneous	8,706	553	-	553
Total Cash Receipts	104,207	106,563	104,679	1,884
Expenditures				
Personal Services	76,687	79,104	90,500	(11,396)
Contractual Services	16,127	15,348	15,600	(252)
Commodities	2,565	2,968	3,600	(632)
Capital Outlay	732	2,607	3,500	(893)
Neighborhood Revitalization Rebate	815	1,046	1,183	(137)
Total Expenditures	96,926	101,073	114,383	(13,310)
Cash Receipts Over (Under) Expenditures	7,281	5,490		
Unencumbered Cash - Beginning	17,436	24,717		
Unencumbered Cash - Ending	\$ 24,717	30,207		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Employee Benefit Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Cash Receipts				
Taxes	\$ 938,301	1,160,430	1,176,651	(16,221)
Collections	13,496	16,139	112,000	(95,861)
Total Cash Receipts	<u>951,797</u>	<u>1,176,569</u>	<u>1,288,651</u>	<u>(112,082)</u>
Expenditures				
Social Security	124,830	145,650	135,000	10,650
Employee Retirement	91,905	122,420	102,266	20,154
Workmen's Comp. Insurance	66,478	53,483	80,000	(26,517)
Health Insurance	733,148	729,494	1,012,000	(282,506)
Neighborhood Revitalization Rebate	8,632	11,847	13,397	(1,550)
Total Expenditures	<u>1,024,993</u>	<u>1,062,894</u>	<u>1,342,663</u>	<u>(279,769)</u>
Cash Receipts Over (Under) Expenditures	<u>(73,196)</u>	<u>113,675</u>		
Unencumbered Cash - Beginning As Previously Stated	75,091	44,755		
Prior Period Adjustment	<u>-</u>	<u>(42,860)</u>		
Unencumbered Cash - Beginning As Restated	<u>75,091</u>	<u>1,895</u>		
Unencumbered Cash - Ending	\$ <u>1,895</u>	<u>115,570</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Hospital Maintenance Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 222,938	143,040	141,439	1,601
Expenditures				
Appropriations	226,962	136,045	140,000	(3,955)
Neighborhood Revitalization Rebate	1,981	1,273	1,439	(166)
Total Expenditures	228,943	137,318	141,439	(4,121)
Cash Receipts Over (Under) Expenditures	(6,005)	5,722		
Unencumbered Cash - Beginning	283	(5,722)		
Unencumbered Cash - Ending	\$ (5,722)	-		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Ambulance Service Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 264,559	259,509	262,056	(2,547)
Collections	158,142	134,081	100,000	34,081
Total Cash Receipts	422,701	393,590	362,056	31,534
Expenditures				
Personal Services	284,233	331,122	300,000	31,122
Contractual Services	51,361	39,742	46,250	(6,508)
Commodities	25,791	34,552	27,500	7,052
Capital Outlay	37,554	745	40,000	(39,255)
Neighborhood Revitalization Rebate	2,401	2,561	2,897	(336)
Total Expenditures	401,340	408,722	416,647	(7,925)
Cash Receipts Over (Under) Expenditures	21,361	(15,132)		
Unencumbered Cash - Beginning	50,071	71,432		
Unencumbered Cash - Ending	\$ 71,432	56,300		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Mental Health Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes	\$ 23,153	22,545	22,524	21
Expenditures				
Appropriations	22,948	22,325	22,275	50
Neighborhood Revitalization Rebate	205	220	249	(29)
Total Expenditures	23,153	22,545	22,524	21
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Mental Retardation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 27,906	27,171	27,150	21
Expenditures				
Appropriations	27,659	26,905	26,850	55
Neighborhood Revitalization Rebate	247	266	300	(34)
Total Expenditures	27,906	27,171	27,150	21
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Special Alcohol Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Cash Receipts				
Intergovernmental	\$ 9,362	9,555	8,374	1,181
Expenditures				
Contractual Services	7,000	5,000	15,000	(10,000)
Cash Receipts Over (Under) Expenditures	2,362	4,555		
Unencumbered Cash - Beginning	13,698	16,060		
Unencumbered Cash - Ending	\$ 16,060	20,615		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
911 Telephone Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 18,123	19,339
Transfer In	15,987	-
	<hr/>	<hr/>
Total Cash Receipts	34,110	19,339
 Expenditures		
Commodities	7,656	9,152
	<hr/>	<hr/>
Cash Receipts Over (Under) Expenditures	26,454	10,187
 Unencumbered Cash - Beginning	<hr/> (1,372)	<hr/> 25,082
 Unencumbered Cash - Ending	\$ <hr/> 25,082	<hr/> 35,269

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
E-911 Telephone Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	\$ 29,400	18,520
Collections	8,354	7,971
Total Cash Receipts	37,754	26,491
Expenditures		
Commodities	44,646	28,240
Cash Receipts Over (Under) Expenditures	(6,892)	(1,749)
Unencumbered Cash - Beginning	29,025	22,133
Unencumbered Cash - Ending	\$ 22,133	20,384

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Register of Deeds Technology Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 5,430	5,259
Expenditures		
Capital Outlay	3,078	6,132
Cash Receipts Over (Under) Expenditures	2,352	(873)
Unencumbered Cash - Beginning	14,493	16,845
Unencumbered Cash - Ending	\$ 16,845	15,972

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
EMS Grant Memorial Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
EMS Equipment Safety Grant	\$ 2,564	3,138
Memorials	-	5,117
Total Cash Receipts	2,564	8,255
Expenditures		
Contractual Services	2,482	5,209
Cash Receipts Over (Under) Expenditures	82	3,046
Unencumbered Cash - Beginning	7,398	7,480
Unencumbered Cash - Ending	\$ 7,480	10,526

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Sales Tax Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Sales Tax	\$ 256,094	433,976
Lease Proceeds	2,673,027	-
Contribution From Public Building Commission	2,139,203	-
Total Cash Receipts	<u>5,068,324</u>	<u>433,976</u>
Expenditures		
Contractual Services	2,053,500	-
Capital Outlay	-	128,717
Lease Payment - Bank	-	2,760,790
Lease Payment - Public Building Commission	-	232,797
Additional Lease Payment - Public Building Commission	-	4,913
Public Building Commission - Cost of Issuance Fund	45,797	-
Public Building Commission - Project Fund	163,904	-
Total Expenditures	<u>2,263,201</u>	<u>3,127,217</u>
Cash Receipts Over (Under) Expenditures	2,805,123	(2,693,241)
Unencumbered Cash - Beginning	<u>-</u>	<u>2,805,123</u>
Unencumbered Cash - Ending	<u>\$ 2,805,123</u>	<u>111,882</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Guest Tax Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Guest Tax	\$ 8,486	8,150
Expenditures		
Commodities	7,520	7,944
Cash Receipts Over (Under) Expenditures	966	206
Unencumbered Cash - Beginning	13,499	14,465
Unencumbered Cash - Ending	\$ 14,465	14,671

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 31,146	31,123	31,111	12
Expenditures				
Temporary Note Principal	27,500	27,500	27,500	-
Temporary Note Interest	3,766	3,078	3,078	-
Cash Basis Reserve	-	-	2,000	(2,000)
Neighborhood Revitalization Rebate	275	306	346	(40)
Total Expenditures	31,541	30,884	32,924	(2,040)
Cash Receipts Over (Under) Expenditures	(395)	239		
Unencumbered Cash - Beginning	2,138	1,743		
Unencumbered Cash - Ending	\$ 1,743	1,982		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Solid Waste Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 209,274	211,014	220,000	(8,986)
Collections	35,881	36,966	37,000	(34)
Land Rent	3,928	3,979	7,500	(3,521)
Miscellaneous	13,684	19,017	5,000	14,017
Total Cash Receipts	<u>262,767</u>	<u>270,976</u>	<u>269,500</u>	<u>1,476</u>
Expenditures				
Personal Services	140,189	114,291	166,233	(51,942)
Contractual Services	58,591	90,010	52,350	37,660
Commodities	85,165	68,297	69,400	(1,103)
Capital Outlay	13,733	51,353	152,000	(100,647)
Total Expenditures	<u>297,678</u>	<u>323,951</u>	<u>439,983</u>	<u>(116,032)</u>
Cash Receipts Over (Under) Expenditures	(34,911)	(52,975)		
Unencumbered Cash - Beginning	<u>257,125</u>	<u>222,214</u>		
Unencumbered Cash - Ending	\$ <u>222,214</u>	<u>169,239</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Prosecuting Attorney's Training Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 335	392
Expenditures		
Payments to Other Governments	121	221
Cash Receipts Over (Under) Expenditures	214	171
Unencumbered Cash - Beginning	1,384	1,598
Unencumbered Cash - Ending	\$ 1,598	1,769

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Special Motor Vehicle Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 422,856	411,289
Expenditures		
Payments to Other Governments	381,546	365,417
Contractual Services	7,962	14,243
Commodities	11,047	15,042
Capital Outlay	2,779	23,713
Transfers Out	17,245	5,253
Total Expenditures	420,579	423,668
Cash Receipts Over (Under) Expenditures	2,277	(12,379)
Unencumbered Cash - Beginning	10,102	12,379
Unencumbered Cash - Ending	\$ 12,379	-

The notes to the financial statements are an integral part of this statement.

Smith County, Kansas
Distributable Funds, State Funds, and Subdivision Funds
 Summary of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2010

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Distributable Funds				
Advance Tax	\$ -	2,351	2,351	-
Neighborhood Revitalization	403	59,342	59,342	403
Current Tax	4,335,985	7,077,209	6,861,688	4,551,506
Bankruptcy Holding	-	480	-	480
Delinquent Personal Property	11,947	8,171	12,477	7,641
Real Estate Redemptions	46,253	142,056	151,898	36,411
Motor Vehicle Tax	178,703	778,345	799,214	157,834
Total Distributable Funds	4,573,291	8,067,954	7,886,970	4,754,275
State Funds				
State Institutional Building	-	18,515	18,515	-
State Educational Building	-	37,031	37,031	-
Total State Funds	-	55,546	55,546	-
Subdivision Funds				
Cities	694	1,008,978	1,009,672	-
Townships	1,009	147,020	145,951	2,078
School Districts	1	1,694,265	1,694,266	-
Irrigation Districts	-	332,402	332,402	-
Other Special Districts	-	49,083	49,083	-
Cemeteries	228	16,176	16,037	367
Total Subdivision Funds	1,932	3,247,924	3,247,411	2,445
Total	\$ 4,575,223	11,371,424	11,189,927	4,756,720

The notes to the financial statements are an integral part of this statement.

Smith County, Kansas
Agency Funds
Summary of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2010

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Agency Funds				
Payroll Withholding	\$ (49)	247,599	247,550	-
Smith County Veteran Memorial	5,505	300	757	5,048
Drivers Licenses	5,785	27,581	28,563	4,803
Sales Tax	16,730	249,934	244,277	22,387
Game Licenses	-	16,156	16,156	-
Heritage Trust	182	1,029	859	352
Diversion Fee	8,117	2,570	3,501	7,186
Escrow	107,438	309,399	265,392	151,445
Passport Fee	1,632	1,950	260	3,322
Concealed Weapon	1,400	603	-	2,003
Sexual Predator Registration	680	300	-	980
Special Law Enforcement	638	-	638	-
Stray Livestock	83	-	83	-
State and Local Assistance	-	15,592	6,153	9,439
Sheriff VINS	1,086	1,754	-	2,840
Register of Deeds	490	36,403	36,667	226
Clerk of District Court	5,500	195,238	186,268	14,470
Sheriff	225	18,996	19,111	110
Total	\$ 155,442	1,125,404	1,056,235	224,611

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Smith County, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The County is a municipal corporation governed by an elected three-member commission. These financial statements of the County consist of all the funds of the County. The County receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources.

The County is the primary government as defined in GASB #14 and further amended by GASB #39. The County Commissioners are elected by the public. The Commissioners have the authority to make decisions, levy taxes, influence operations and have the primary accountability in fiscal matters.

The following is a component unit of **Smith County, Kansas**. The County exercises significant influence or accountability based primarily on operational or financial relationships with the County. The component unit is not included in the County's financial statements.

Smith County, Kansas Public Building Commission

Smith County, Kansas Public Building Commission is organized under Kansas statutes for the purpose of acquiring a site for constructing, reconstructing, equipping and furnishing, or otherwise acquiring a building or other facilities of a revenue producing character for the benefit of **Smith County, Kansas**. The Board's members are appointed by the County Commissioners. The County substantially funds the Board's operations by leasing the building from the Board. Smith County, Kansas Public Building Commission's audited financial statements can be obtained from the Smith County Clerk's office.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the County are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the County for the year end December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Fund Category

Enterprise Fund – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Categories

Private Purpose Trust Funds – to account for assets held by the County as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

Agency Funds – to account for assets held by the County as trustee or agent for others.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The County has approved a resolution that is in compliance with K.S.A. 75-1120(a)(c), waiving the requirement for application of generally accepted accounting principles and allowing the County to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the County are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and accrued sick leave are not presented in the financial statements.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the County for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds and the following special revenue funds: Bridge Building Fund, Special Machinery Fund, 911 Telephone Fund, E-911 Telephone Fund, Register of Deeds Technology Fund, EMS Grant Memorial Fund, Sales Tax Fund and the Guest Tax Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The County follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds have a main or branch bank in the county in which the County is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The County has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the County may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require the County's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The County's designated "peak periods" are from December 15 through February 15 and from May 5 through July 4. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the County's carrying amount of deposits was \$7,338,128 and the bank balance was \$7,223,795. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$3,869,706 was covered by federal depository insurance and \$3,354,089 was collateralized with securities held by the pledging financial institutions' agents in the County's name. In addition, the County had cash on hand of \$30,876.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the County will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The County had no investments at December 31, 2010.

Compensated Absences

Employees of the County earn one day of vacation time and eight hours of sick leave per month of employment. Vacation time is not allowed until one year of employment is completed. The County's policies regarding vacation and sick pay permit employees to accumulate a maximum of 24 days vacation time and a maximum accumulation of 100 days sick pay. Unused vacation time due to an employee who terminates employment with the County will be paid on the payroll following the final date of employment. The amount of accumulated vacation time as of December 31, 2010 totaled \$92,201 and is recorded in each fund at year end. Accumulated sick leave over 30 days shall be paid to the employee upon termination of employment at the regular rate of pay, at the rate of four hours pay for each day credited. The potential accrued sick leave liability as of December 31, 2010 is approximately \$48,696.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees of the County in the Sheriff's Department may accrue a maximum of 480 hours of compensatory time. Employees performing work that does not include the preceding activities may accrue a maximum of 240 hours of compensatory time. Compensatory time off will be paid for the unused time upon termination of employment. Employees may use compensatory time accrued. Compensatory time is paid at time and a half of the employee's base wage. Accrued compensatory time as of December 31, 2010 was \$12,929 and is recorded in various funds at year end.

Deferred Compensation Plan

The County sponsors a deferred compensation plan under the Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The County is not responsible to make any contributions.

Defined Benefit Pension Plan

Plan Description

The County contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2010 was 7.14%. The County's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$128,948, \$106,366, and \$85,294, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the County is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the County for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the agency funds of the County for special purposes.

Reimbursements

The County records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require that **Smith County, Kansas** place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to current year expenditures relating to the operation of the landfill, as provided in the Solid Waste Fund in these financial statements, the County is incurring a liability based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The County's estimate of closure and postclosure care liability at year end would be \$124,344. This liability is based on the use of 21% of the estimated cost of closure and postclosure care of \$592,112. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. The County expects the landfill to continue to operate indefinitely. Actual costs may be higher due to inflation, changes in technology or in regulations. The County has not restricted any of its assets for payment of closure and postclosure care costs.

The County has a Municipal Solid Waste Landfill that was closed February 26, 1999. State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The County recognized monitoring and maintenance cost along with final closure costs of \$5,773 for 2010.

The County is meeting the financial assurance requirements through the Local Government Financial Test. This test involves four components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The County has satisfied all four requirements.

NOTE 3 - INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **Smith County, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 3 - INTERFUND TRANSFERS (continued)

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Road and Bridge	Special Machinery	K.S.A. 68-141g	\$ 100,000
Road and Bridge	Bridge Building	K.S.A. 68-141g	200,000
Special Motor Vehicle	General	K.S.A. 8-145	5,253

NOTE 4 - LITIGATION

Smith County, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the County.

NOTE 5 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the County joined together with other counties in the State to participate in the Kansas Workers Risk Cooperative for Counties (KWORC), a public entity risk pool currently operating as a common risk management and insurance program for 67 participating members.

The County pays an annual premium to KWORC for its workers compensation insurance coverage. The agreement to participate provides that the KWORC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$600,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KWORC management.

The County continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, automobile, umbrella, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 - GRANTS AND SHARED REVENUES

Smith County, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the County, any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

NOTE 7 - COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the **Smith County, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Per K.S.A. 19-716, the County Attorney should review and approve warrants presented for payment.

Per K.S.A. 79-2301, the County shall have a real estate tax sale on all unpaid real estate taxes in each year. The last real estate tax sale was in 1996.

NOTE 9 - LEASE

The County entered into a lease agreement with Smith County, Kansas Public Building Commission. Smith County, Kansas Public Building Commission leases the property from the County and provided \$2,630,000 to acquire, finance and refinance the hospital building and lease the facility to **Smith County, Kansas**. Smith County, Kansas Public Building Commission will surrender and deliver the hospital building to the County upon the expiration of these lease obligations. The term of the lease obligations commenced on December 15, 2009 and will end on December 1, 2024. In the event of default, Smith County, Kansas Public Building Commission shall have the right to possession of the land for the remainder of the term of the lease and shall have the right to sublease the project or sell its interest in the project and the lease upon whatever terms and conditions it deems prudent and in the interest of the owners of the bonds. Title of the land shall remain in the County at all times. The construction and financing of the project and the leasing of the facility to the County under the lease shall be deemed the County's entire consideration for the lease obligation.

NOTE 10 - LONG-TERM DEBT

Smith County, Kansas has the following types of long-term debt.

Lease Obligations

The County has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

The County entered into a lease obligation for \$2,673,027 with People's State Bank of Smith Center on June 10, 2009 for the lease of hospital improvements. The lease was paid in full on January 10, 2010.

The County entered into a lease obligation for \$2,630,000 with Smith County, Kansas Public Building Commission for the lease of Smith County, Kansas Hospital Building. The County is obligated to make payments to Smith County, Kansas Public Building Commission equivalent to the debt that Smith County, Kansas Public Building Commission has assumed and to pay its outstanding revenue bonds. Smith County, Kansas Public Building Commission covenants that unless the County is in default under the lease obligation, it will not, without the County's written consent unless required by law, sell or otherwise part with or encumber its fee or other ownership interest in the project at any time during the life of the lease obligation. The covenants agreed to state that the County, during the term of the lease obligation, shall keep and maintain the project and all parts thereof in good condition and repair, including but not limited to the furnishing of all parts, mechanisms and devices required to keep the machinery, equipment and personal property constituting a part of the project in good mechanical and working order, and that during said period of time it will keep the project and all parts thereof free from filth, nuisance or conditions unreasonably increasing the danger of fire.

Revolving Loan

The County enacted a \$64,420 revolving loan agreement on December 27, 2004 with the Kansas Department of Transportation acting on behalf of the State of Kansas to finance the Cedar Bridge Project.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 10 - LONG-TERM DEBT (continued)

Temporary Notes

The County issued \$295,000 in temporary notes pursuant to Kansas statutes for the financing of the Emergency Medical Service building project.

Changes in long-term liabilities for the County at December 31, 2010 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on pages 42 and 43.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The following funds had a prior period adjustment to reflect a journal entry charged to the December 31, 2009 unencumbered cash and reversed on January 5, 2010 which are deemed material:

<u>Fund</u>	<u>Unencumbered Cash</u>	<u>Prior Period Adjustment</u>	<u>Restated Unencumbered Cash 12/31/09</u>
Health	58,175	42,860	101,035
Employee Benefit	44,755	(42,860)	1,895

Smith County, Kansas
Notes to Financial Statements
For the Year Ended December 31, 2010

NOTE 10 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the County for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases										
General Fund										
Motorola MCC 5500 Console	4.50%	02/19/08	\$ 60,275	02/19/12	46,192	-	(14,725)		31,467	2,079
(4) Fujitsu Scanners	5.50%	01/10/05	46,000	01/10/10	10,211	-	(10,211)		-	580
Road and Bridge Fund										
Cat 963 Loader SN BBD02778	5.25%	08/04/06	209,219	08/04/11	90,157	-	(43,926)		46,231	4,733
2006 12H Cat Motorgrader	4.50%	10/14/08	190,000	02/01/12	190,000	-	(63,333)		126,667	11,127
Sales Tax Fund										
Hospital Building Lease	1.75-4.50%	12/15/09	2,630,000	12/01/24	2,630,000	-	(145,000)		2,485,000	87,797
Hospital Lease	5.60%	06/10/09	2,673,027	06/10/24	2,673,027	-	(2,673,027)		-	87,763
Pryor Automatic Fire Sprinkler System	3.50%	05/04/09	200,000	05/04/12	200,000	-	(64,389)		135,611	7,000
Total Capital Leases			6,008,521		5,839,587	-	(3,014,611)		2,824,976	201,079
Revolving Loan										
KDOT Revolving Loan - Bridge Construction	3.62%	5/9/2005	64,420	08/01/14	34,269	-	(6,343)		27,926	1,326
Temporary Notes										
EMS Construction Note	2.50%	6/22/2004	295,000	04/01/08	130,000	-	(27,500)		102,500	3,078
Total Contractual Indebtedness			6,367,941		6,003,856	-	(3,048,454)		2,955,402	205,483
Compensated Absences										
			N/A		46,776			1,920	48,696	-
Landfill Closure and Post Closure Care										
			N/A		143,583			(19,239)	124,344	-
Total Long-Term Debt			\$ 6,367,941		\$ 6,194,215	-	(3,048,454)	(17,319)	3,128,442	205,483

Smith County, Kansas
Statement of Maturities of Long-Term Debt
For the Year Ended December 31, 2010

NOTE 10 - LONG-TERM DEBT (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR							Total
	2011	2012	2013	2014	2015	2016 - 2020	2021 - 2024	
Principal								
Capital Leases	\$ 336,594	298,382	150,000	155,000	160,000	880,000	845,000	2,824,976
Revolving Loan	6,589	6,844	7,109	7,384	-	-	-	27,926
Temporary Notes	27,500	75,000	-	-	-	-	-	102,500
Total Principal	370,683	380,226	157,109	162,384	160,000	880,000	845,000	2,955,402
Interest								
Capital Leases	103,084	91,746	82,283	78,420	73,890	281,298	85,875	796,596
Revolving Loan	1,080	826	561	286	-	-	-	2,753
Temporary Notes	2,391	1,703	-	-	-	-	-	4,094
Total Interest	106,555	94,275	82,844	78,706	73,890	281,298	85,875	803,443
Total Principal and Interest	\$ 477,238	474,501	239,953	241,090	233,890	1,161,298	930,875	3,758,845